BITFINEX Alpha

Issue: 28-07-2025
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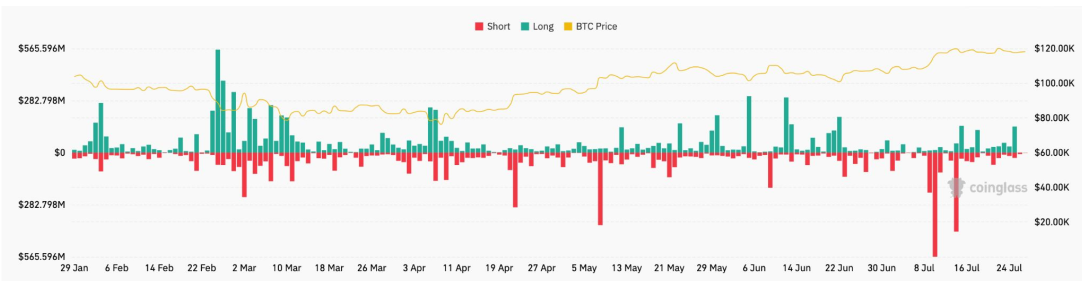
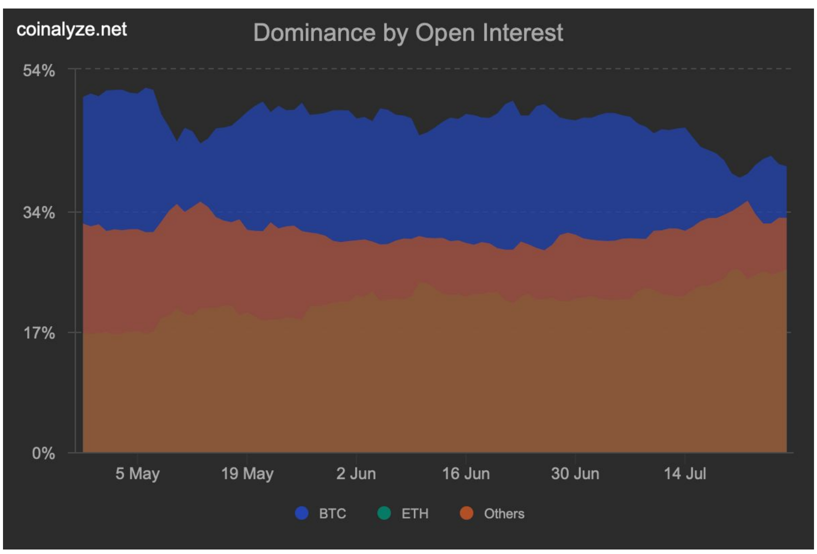
EXECUTIVE SUMMARY

BTC Finds Local Low but Leverage Increasing

Bitcoin successfully defended its short-term range lows near $114,800 last week, rebounding sharply to close the week higher near $119,580. This resilience followed a swift intra-week drop of nearly 5 percent, which triggered large-scale liquidations. Over $1.1 billion in long positions were wiped out across major exchanges across a range of assets, on July 23rd and 24th, revealing how overheated speculative positioning had become during BTC's recent run to all-time highs. While the correction was shallow in price terms, its effect on leverage was deep, reinforcing the reflexive nature of crypto markets when froth builds too quickly.

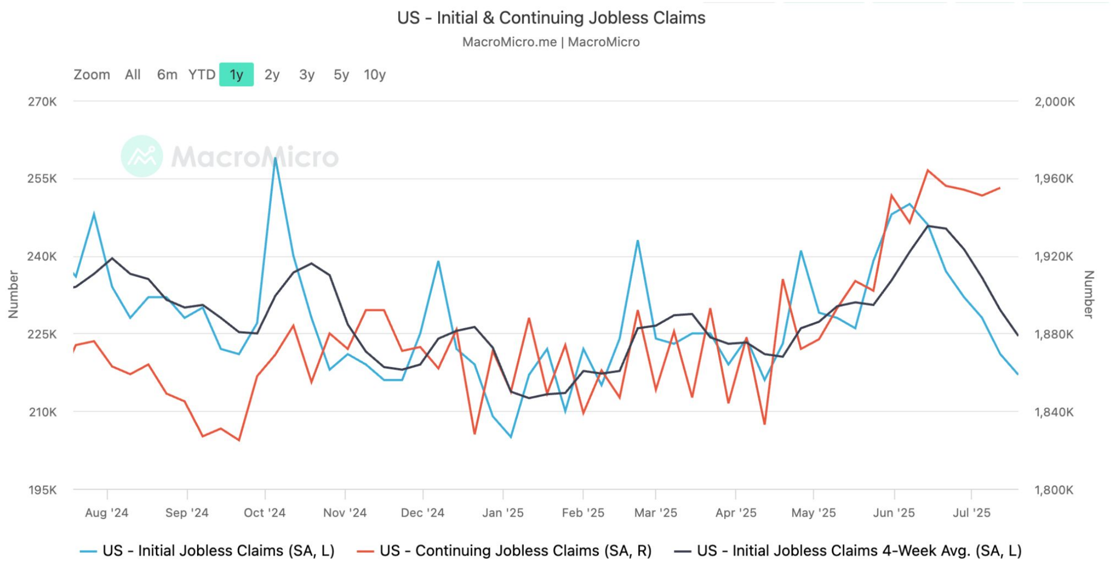


Under the surface, risk appetite continues to rotate aggressively into altcoins. Ethereum's open interest dominance has risen from 17 to 26 percent, while Bitcoin's has declined to just 41 percent, a sharp drop from 51 percent in April. Although total altcoin open interest dominance remains steady in the low 30s, its composition has been fluid, driven by fast-changing narratives and listing activity. The combined open interest across major altcoins such as ETH, SOL, XRP, and DOGE has surged from $26 billion to $44 billion in just four weeks, reflecting a clear return of speculative capital.



The market is now at a critical juncture. Bitcoin's structural strength remains intact, with support levels holding and ETF demand steady, but the growing concentration of leverage in altcoins leaves the broader crypto complex vulnerable to sharp deleveraging events. As speculative positioning builds, the risk of cascading liquidations increases, especially if macro headlines turn negative or if price momentum stalls.

Recent data shows the US economy's rebound is masking deeper weaknesses. Business investment is slowing, with durable goods orders falling 9.3 percent in June and core capital goods down 0.7 percent, as tariff uncertainty disrupts planning. A front-loaded surge in equipment spending early this year has faded, and Q2 GDP growth—forecast at 2.4 percent—is largely driven by temporary inventory and trade adjustments rather than real demand.



Meanwhile, jobless claims dropped to 217,000, the lowest in three months, but continuing claims rose to 1.955 million, signalling difficulty in re-employment. Companies are pausing hiring amid tariff uncertainty and uneven demand. Housing activity remains weak, with new home sales up just 0.6 percent in June and inventory at its highest since 2007. The labour market isn't collapsing, but is quietly cooling, and the Fed is unlikely to cut rates further until clearer signs of economic deterioration emerge.

The US crypto corporate landscape is witnessing a surge in Ethereum- and Bitcoin-focused treasury strategies, signalling a deepening institutional shift. BitMine Immersion and the upcoming Ether Machine IPO have together cemented Ethereum as a rising treasury asset class, with BitMine now holding over 566,000 ETH and Ether Machine preparing to go public with 400,000+ ETH in yield-generating infrastructure. Meanwhile, Trump Media's $2B Bitcoin bet adds to the trend, though concerns linger over revenue shortfalls and a reliance on crypto appreciation to justify valuations.

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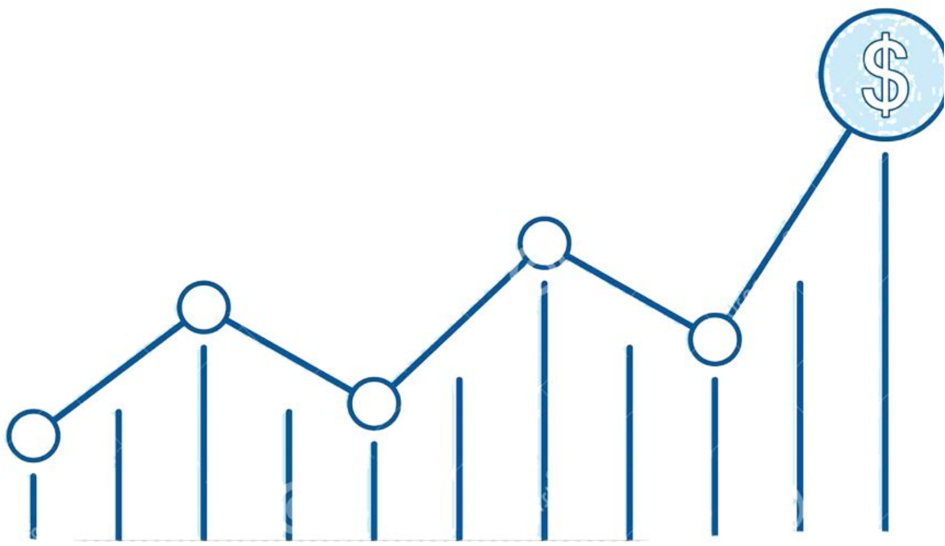

MARKET SIGNALS

Bitcoin Holds Range Lows as Support

Bitcoin fell last week to a low of $114,800, marking a likely range low, and the current resistance level. It did not stay here long, with prices rebounding sharply, ultimately closing the week approximately 2.1 percent higher at $119,580.

While this overall price correction for BTC was relatively modest, the underlying impact on leveraged traders was far more pronounced. As the price dropped, long liquidations surged dramatically, with over $1.1 billion in long positions across a range of assets, wiped out across all major centralised exchanges on July 23rd and 24th. This flush reflects just how crowded the long side had become during the recent rally and reinforces our view that even in strong uptrends, the market remains susceptible to aggressive deleveraging events when speculative positioning runs too hot.

Figure 1. BTC/USD 4H Chart. (Source: Bitfinex)

Total liquidations across the broader crypto market have remained notably elevated, with average daily liquidations exceeding $350 million (across both long and short positions) over the past 30 days. This sustained liquidation activity highlights the heightened sensitivity of the market to volatility, particularly as traders continue to aggressively utilise leverage across both majors and altcoins.

Between July 23rd and 25th, Bitcoin experienced a sharp 5 percent decline, which was magnified across altcoins—many of which posted even steeper losses. This move triggered $1.46 billion in total long liquidations, including $370 million in BTC alone. More strikingly, the ratio of altcoin liquidations to BTC liquidations has surged to historically elevated levels.

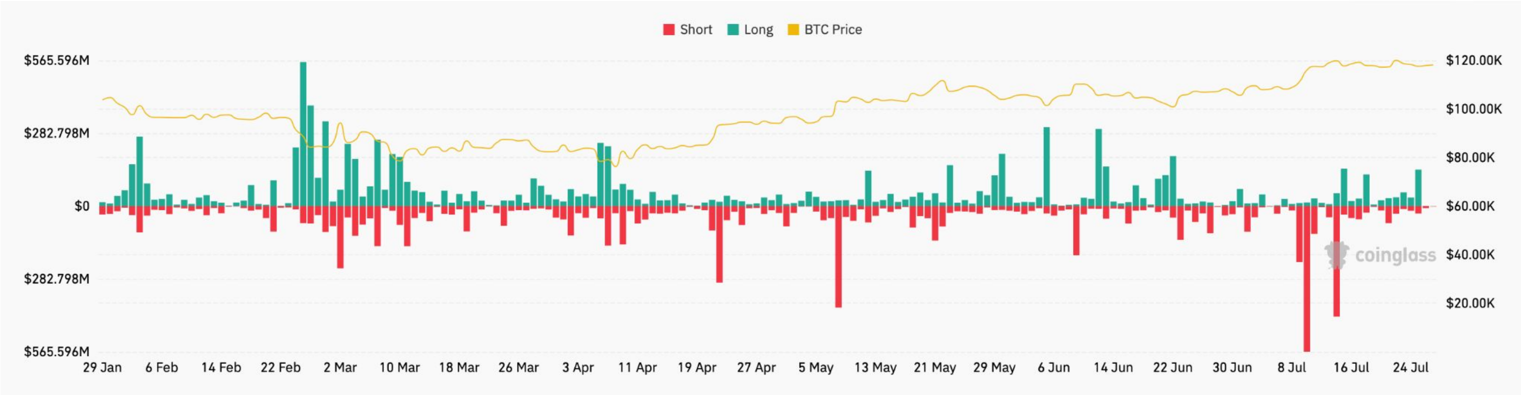

Figure 2. Total Liquidations Across Major Exchanges for Perpetual Trading Pairs. (Source: Coinglass)

The same trend is evident in open interest ratios, underscoring a growing risk appetite among market participants—particularly in the altcoin segment, where traders are deploying high leverage on increasingly volatile assets. This dynamic suggests that while BTC remains structurally strong, pockets of excessive speculation continue to build beneath the surface.

Bitcoin open interest dominance, the proportion of global derivatives open interest allocated to BTC futures and perpetuals, has declined to 41 percent, down from 51 percent just three months ago. This marks a notable shift in trader positioning and risk appetite within the crypto derivatives landscape.

Over the same period, Ethereum's open interest dominance has risen sharply, increasing from 17 percent to 26 percent, reflecting renewed interest in ETH amidst ETF approval narratives, scaling ecosystem developments, and increased institutional exposure.

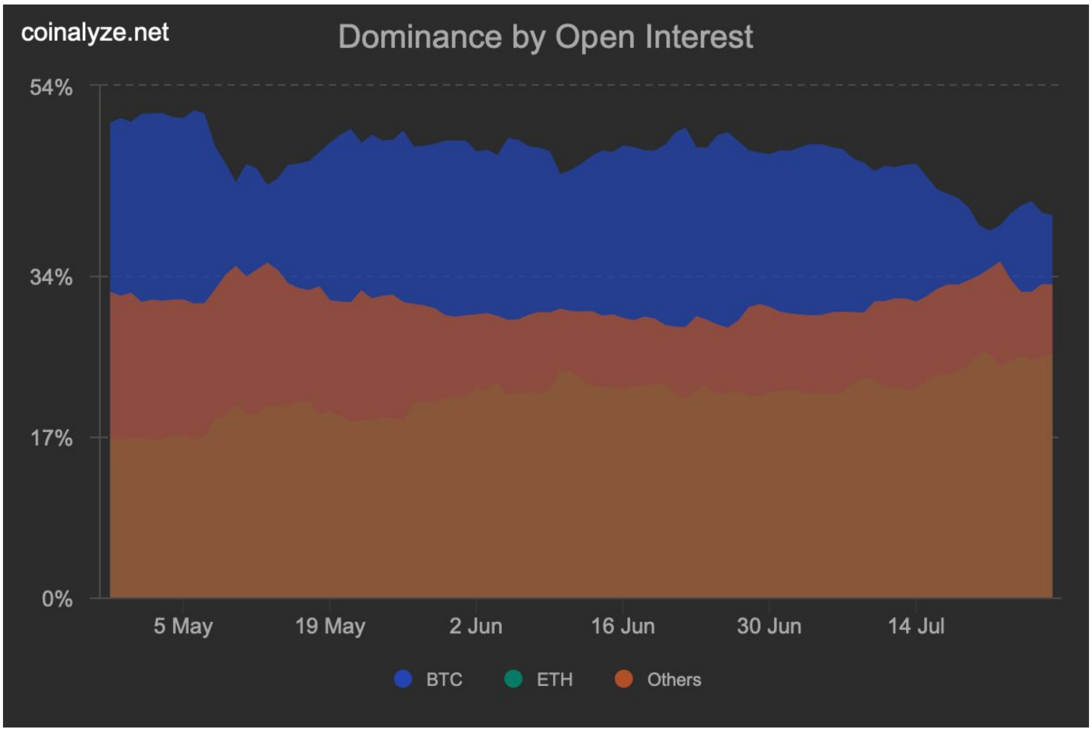

Figure 3. Asset-Wise Dominance by Open Interest. (Source: Coinalyze)

Meanwhile, altcoin open interest dominance has remained relatively stable in the low 30s, but the composition within this category has been highly dynamic. Capital has rotated rapidly between different altcoins, driven by shifting narratives, speculative surges, and continuous listings of new assets on major exchanges.

This reallocation of derivatives exposure suggests that traders are increasingly looking beyond BTC to capture higher beta opportunities, particularly in Ethereum and trending altcoins. However, it also introduces greater systemic fragility, as capital becomes more fragmented across volatile assets, potentially amplifying market-wide liquidation events.

Now that we've established that a clear resurgence in risk appetite and interest in altcoins is underway in the crypto market, it becomes essential to examine the surrounding derivatives landscape to gauge the evolving risk appetite of market participants. Since the start of July, combined open interest across major altcoins — including Ethereum, Solana, XRP, and Dogecoin — has surged from $26 billion to $44 billion, reflecting a substantial influx of speculative capital.

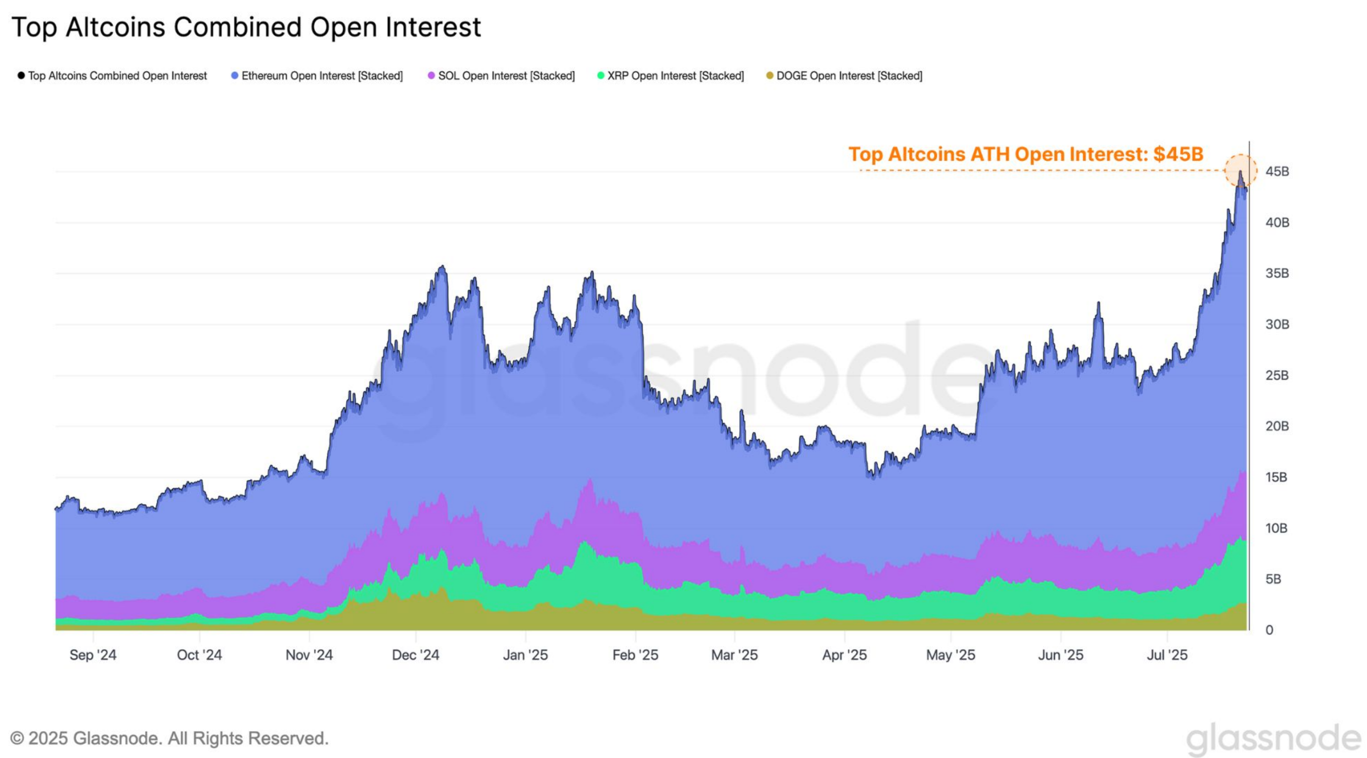

Figure 4. Top Altcoins Combined Open Interest Across Exchanges. (Source: Glassnode)

This sharp rise in futures leverage indicates an acceleration in risk-taking behaviour, with traders increasingly opening highly leveraged positions in pursuit of short-term upside. While this trend can fuel further rallies in the near term, it also introduces a greater degree of fragility to the market structure.

Such environments, characterised by elevated leverage and concentrated positioning tend to be reflexive, with price action amplifying sentiment and vice versa. It also means that the market becomes more vulnerable to liquidation cascades, sharp reversals, and exaggerated volatility. If momentum stalls or unexpected macro or regulatory news emerges, this leverage can unwind rapidly, potentially exacerbating downside moves across the altcoin complex.

In short, while speculative enthusiasm is clearly returning, this build-up in leverage suggests that the market is entering a more fragile phase where risk management becomes increasingly important.

GENERAL MACRO UPDATE

Business Investment Cools as Growth Faces Headwinds

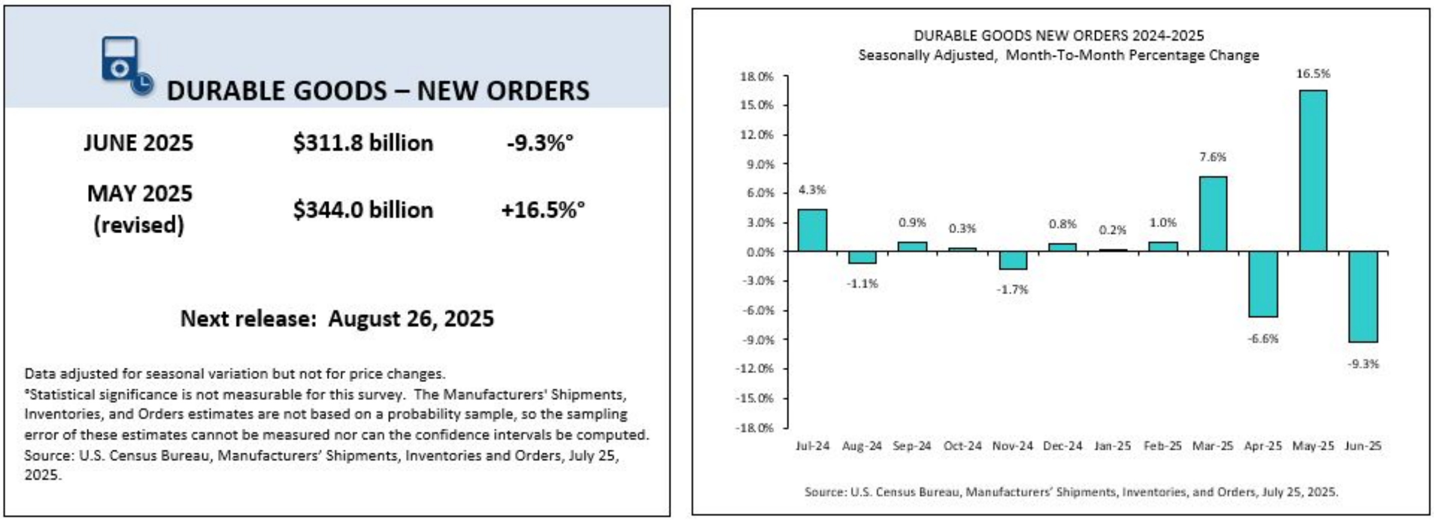

Figure 5. Durable Goods Order (Source: US Census Bureau)

Despite an apparent rebound in US economic growth this quarter, recent data reveals a more complicated reality: business investment is slowing, confidence is shaky, and evidence of growth is often short-term and masks deeper weaknesses. At the heart of it all is tariff uncertainty, which continues to distort decision-making across the US economy.

According to the US Census Bureau's Monthly Advance Report on Durable Goods Manufacturers' Shipments Inventories and Orders, new orders for manufactured durable goods in June decreased by 9.3 percent after a 16.5 percent increase in May. New orders for core capital goods—items like machinery and computers, which businesses use to expand operations—fell by 0.7 percent in June. This marks another month of volatility in equipment spending and reinforces growing concerns about the health of private sector investment.

Figure 6. Durable Goods Orders (Source: Macromicro, US Census Bureau)

This slowdown occurs despite a modest increase in shipments of these goods, which rose by 0.4 per cent in June. However, since these figures are not adjusted for inflation, we warn that the rise may reflect higher prices—not actual growth in activity.

Many businesses had rushed to purchase equipment in early 2025 to beat expected price hikes from new import tariffs. That front-loaded investment caused equipment spending to increase in Q1. But now, with many firms already stocked up and tariffs still in flux, the momentum has faded.

The ongoing back-and-forth over trade policy continues to raise costs and reduce visibility. Some tariffs have been delayed until August, but that hasn't been enough to stabilise decision-making.

The Atlanta Federal Reserve currently forecasts second-quarter US GDP to have grown at a 2.4 percent annualised rate, following a 0.5 percent contraction in Q1. However, this expected rebound is largely driven by temporary factors, including a reversal of trade flows and a buildup in inventories. When adjusting for those distortions, real economic momentum appears much weaker.

Measures like real final sales to private domestic purchasers—which strip out trade and inventory effects—grew just 1.9 percent in Q1, and are expected to slow to near zero in the second half of the year.

In its latest policy decision, the Federal Reserve kept interest rates unchanged at 4.25–4.5 percent. Fed Chair Jerome Powell stated that the central bank is still assessing whether the recent tariffs are contributing to inflation and whether rate adjustments are warranted in the coming months.

The reality is that while Q2 may look strong on paper, it's a temporary rebound built on inventory and one-off trade adjustments—not on broad-based strength. Business equipment investment is cooling, real consumer demand is subdued, and policy uncertainty remains a dominant headwind.

US Jobless Claims Fall, but Long-Term Labour Weakness Persists

The number of Americans applying for unemployment benefits has dropped to its lowest point in three months, suggesting that the labour market remains relatively stable. However, beneath the surface, signs of a slow and uneven recovery persist, with fewer job openings and lingering uncertainty holding back both employers and job seekers.

A Temporary Relief in Jobless Claims

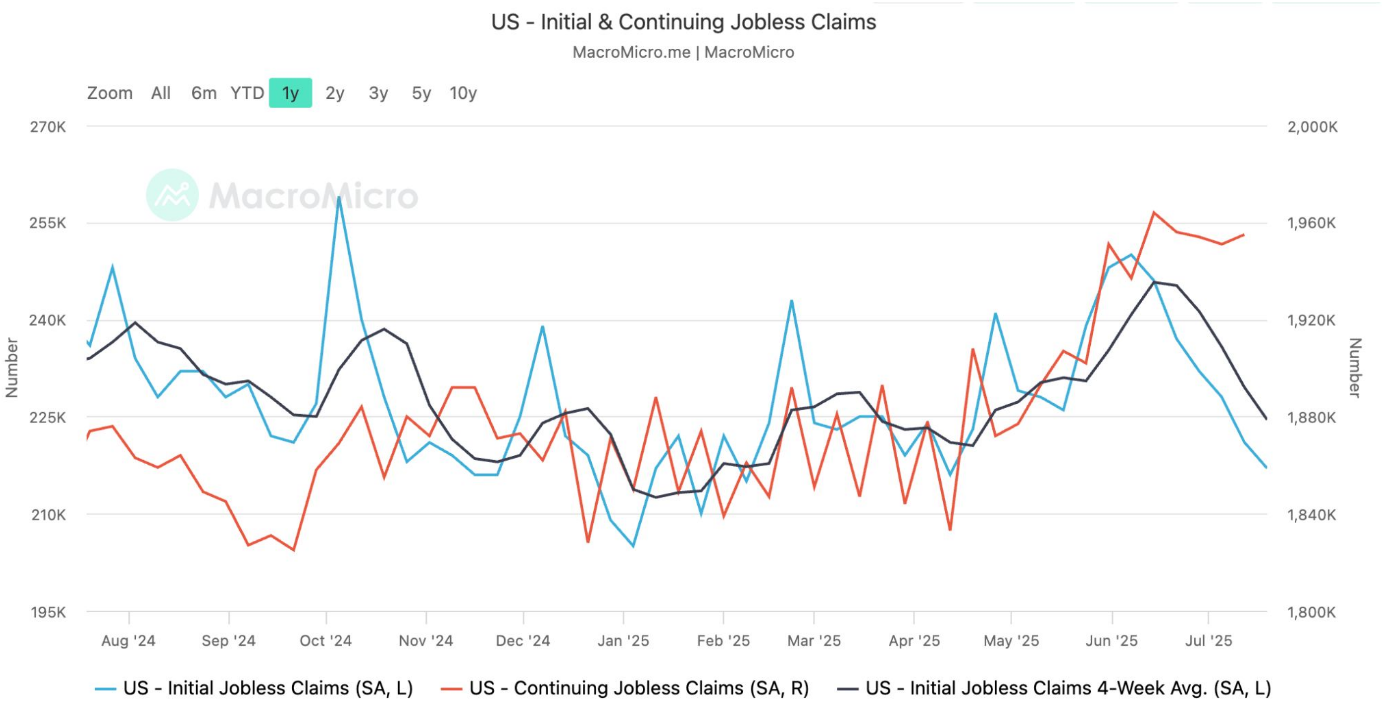

Figure 7. Initial Jobless Claims and Continuing Jobless Claims (Source: Macromicro, US Department of Labour)

For the week ending July 19th, initial jobless claims fell to 217,000—a level below the average seen before the COVID-19 pandemic, according to [US Department of Labour's Unemployment Insurance Weekly Claims report]. This marks a sixth consecutive weekly decline, suggesting fewer people are being laid off, which is often viewed as a positive sign for the economy.

While initial claims offer a snapshot of layoffs, continuing claims tell a deeper story—they represent people who are still unemployed and receiving benefits after the first week. These numbers ticked up slightly to 1.955 million, the highest level since the pandemic recovery began. This rise suggests that although fewer people are being laid off, those who do lose their jobs are finding it more challenging to re-enter the workforce.

This could be a sign that companies are not actively hiring. Instead of reducing their existing workforce, many businesses are simply pausing new recruitment, waiting for more certainty around economic policies, particularly trade tariffs.

The re-imposition of tariffs in the current Trump administration has injected fresh uncertainty into the business environment. According to the recent S&P Global PMI Survey, many service and manufacturing businesses reported raising prices in July, largely due to these tariffs on imported goods.

With costs rising and demand still uneven, businesses are cautious. This hesitation shows up not only in hiring decisions but also in broader investment choices. For example, new home sales rose just 0.6 percent in June—well below expectations—and the backlog of unsold homes has reached its highest level since 2007. Home construction activity has dropped sharply as high interest rates and economic jitters weigh on both builders and buyers.

Despite these headwinds, the Federal Reserve is not expected to cut interest rates in its upcoming policy meeting. The labour market, while softer, hasn't weakened enough to justify further easing.

The Fed's challenge is balancing inflation—which is still under pressure from tariffs and supply constraints—with the risk of slowing economic activity. Rate cuts earlier in 2024 offered some relief, but more stimulus is unlikely until there's a clearer sign of economic deterioration.

The US job market is not collapsing, but it is experiencing a quiet cooling. Layoffs remain low, but long-term unemployment is edging up. Hiring is lackluster, homebuilding is in retreat, and businesses are navigating an uncertain policy environment. As the Federal Reserve holds its ground, workers and employers alike are bracing for a slower, more uncertain path forward.

NEWS FROM THE CRYPTO-SPHERE

Ether Machine Poised for Nasdaq Debut with Over $1.5 B in Fully Committed Ethereum Backing

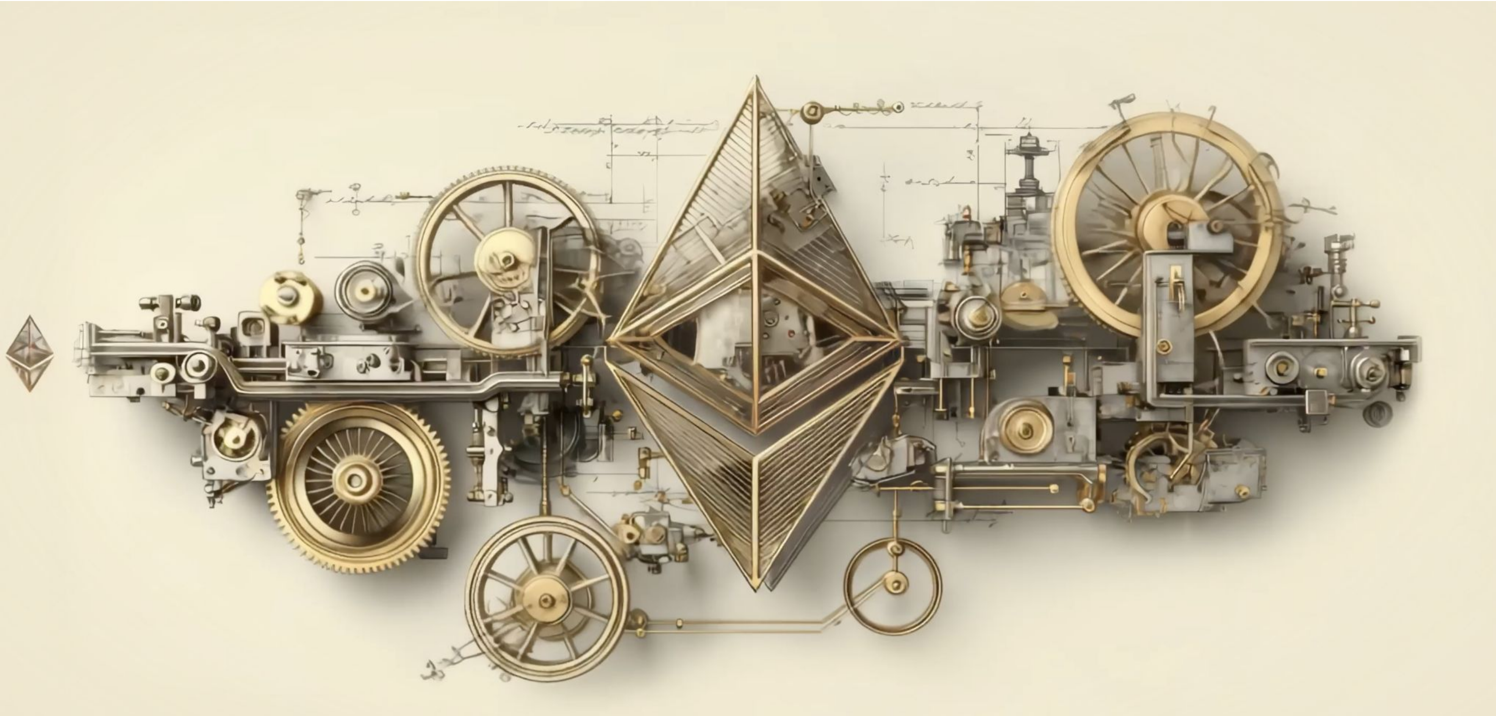

Figure 8. Ether Machine Poised for Nasdaq Debut with Over $1.5 B in Fully Committed Ethereum Backing

- **Ether Machine is going public via a SPAC merger with Dynamix (NASDAQ: DYNX), backed by over $1.6B in committed capital and holding 400,000+ ETH—positioning it as the largest institutional Ethereum yield vehicle upon its Q4 2025 listing**
- **Led by Ethereum veterans, ETHM will focus on staking, DeFi participation, and institutional infrastructure, aiming to bridge legacy finance and Ethereum, though risks tied to ETH volatility and DeFi execution remain**

Ether Machine, Inc. is preparing to go public in a transaction that will be executed via a business combination with SPAC Dynamix Corporation (NASDAQ: DYNX), targeting a fourth-quarter 2025 listing under the ticker ETHM, according to a press release dated July 21st. Anchored by a $645 million investment (169,984 ETH) from co-founder and chairman Andrew Keys, the company has secured over $800 million in upsized equity financing from blue-chip institutional and crypto-native backers including 1 Roundtable Partners/10T Holdings, Archetype, Blockchain.com, cyber•Fund, Electric Capital, Kraken, and Pantera Capital — amounting to over $1.5 billion in fully committed capital and total gross proceeds anticipated above $1.6 billion.

At launch, it will hold more than 400,000 ETH, establishing it as the largest public-market vehicle for pure-play institutional exposure to Ethereum and ETH-denominated yield generation.

The new entity plans to deliver long-term, risk-adjusted returns through a strategic triad: staking and restaking to generate ETH yield, curated participation in decentralised finance protocols, and offering institutional infrastructure services such as validator management and block-building. The management team comprises veteran Ethereum and finance leaders, who have all played integral roles in Ethereum's ecosystem development and institutional adoption

This transaction is notable as the largest all-common-stock SPAC financing announced since 2021, providing enhanced alignment for public investors and signalling robust confidence in Ethereum's institutional thesis. With regulatory clarity improving and ETH institutional momentum accelerating, the timing positions The Ether Machine at the forefront of bridging legacy finance and crypto infrastructure.

Subject to shareholder and regulatory approval, closing is expected in Q4 2025. As a public company, ETHM aims to uphold corporate governance and transparency standards while scaling Ethereum-focused infrastructure. That said, considerable risks remain — including Ethereum's price volatility, DeFi protocol risk, and challenges executing large-scale yield strategies — all of which investors must weigh against the company's ambitious scalability and yield generation vision.

Trump Media Accelerates Crypto Treasury Strategy with $2 Billion Bitcoin and Options Holdings

Figure 9. Trump Media Accelerates Crypto Treasury Strategy with $2 Billion Bitcoin and Options Holdings

- **Trump Media has allocated nearly $2B—two-thirds of its liquid assets—into Bitcoin and related securities, including $300M in Bitcoin options, aiming to convert positions to spot BTC depending on market conditions**
- **Despite the company's stated strategic goals like financial independence and future token utility, concerns persists due to equity dilution risks, limited revenues, and heavy reliance on crypto asset appreciation**

Trump Media & Technology Group Corp. (Nasdaq/NYSE Texas: DJT), the parent company of Truth Social, Truth+, and fintech venture Truth.Fi, announced last Monday, July 21st, that it has amassed approximately $2 billion in Bitcoin and Bitcoin-related securities, now representing nearly two-thirds of its $3 billion in liquid assets.

In addition, the company has allocated $300 million toward a Bitcoin-related options acquisition strategy, with plans to convert those positions into spot Bitcoin depending on market conditions—a further step in bolstering its digital asset reserve.

CEO Devin Nunes emphasised that this aggressive accumulation is designed to serve multiple strategic goals: ensuring financial independence, safeguarding the company from banking discrimination, and creating alignment with the utility token planned for deployment within the Truth Social ecosystem. Trump Media said it intends to continue expanding its Bitcoin and crypto-related holdings as part of an ongoing treasury strategy inspired by peers like Michael Saylor's Strategy Inc.

Market and financial analysts have offered mixed reactions. Trump Media stock rose roughly 3–5 percent following the announcement, amid Bitcoin approaching record levels of $119,000–$123,000.

However, concerns persist over dilution from equity and convertible debt issuances used to fund the crypto purchases, with shares falling nearly 42 percent year-to-date before the rally. Critics have questioned whether using corporate capital to accumulate crypto via public equity is more effective than traditional ETF exposure, especially given limited operating revenue—Trump Media reported around $821,000 in Q1 revenue and continued net losses despite crypto assets under management.

BitMine Immersion Surpasses $2 Billion ETH Treasury, Doubling Ethereum Holdings in Corporate Yield Race

Figure 10. BitMine Immersion Surpasses $2 Billion ETH Treasury, Doubling Ethereum Holdings in Corporate Yield Race

- **BitMine has become the largest public holder of ETH, amassing 566,776 ETH (worth over $2B) just 16 days after closing a $250M PIPE, with backing from Founders Fund and ARK Invest**
- **Led by Tom Lee, the firm aims to stake 5 percent of ETH's total supply, mirroring Bitcoin treasury models but focusing on Ethereum's staking yield—though analysts warn of risks tied to overreliance on token appreciation**

BitMine Immersion Technologies, Inc. (NYSE: BMNR) has rapidly accelerated its Ethereum treasury strategy, achieving this within just 16 days of closing its initial $250 million PIPE in early July, according to a press release. The company expanded its ETH holdings to 566,776 ETH, valued at over $2 billion at ~$3,643 per ETH as of July 23rd, 2025. This represents more than a 700 percent increase beyond its original capitalisation and firmly establishes BitMine as the largest publicly traded corporate holder of ETH, outpacing even the Ethereum Foundation and previously leading firms like SharpLink Gaming, which currently holds ~360,807 ETH.

Under the leadership of Fundstrat's Tom Lee (also BitMine's board chair), the firm is pursuing an ambitious goal of staking 5 percent of Ethereum's total supply, targeting sustained yield generation through validator operations and ecosystem participation. BitMine's accumulation strategy mirrors the high-capital deployment models pioneered in Bitcoin by companies like Strategy, but with a clear focus on Ethereum's staking and tokenisation potential; key institutional backers including Peter Thiel's Founders Fund and Cathie Wood's ARK Invest have supported the firm, contributing to a 480–3,000 percent surge in its share price year-to-date.

Critics caution that such treasury-focused ventures often rely on reinvested capital raising and may face structural risks if crypto prices stagnate or investor sentiment shifts. Analysts have noted that many public crypto treasuries function more like promotional vehicles, potentially leading to elevated valuations unsupported by core business operations.